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## DIGEST

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Greene

HB No. 790

**Abstract:** Changes the tax credit from a carry forward credit to a refundable one and provides for the amount of the credit for employers who employ fewer than 50 La. residents and employers who employ more than 50 La. residents.

Present law authorizes a state income and corporation franchise tax credit for taxpayers who claim a federal income tax credit for increasing research activities.

Proposed law provides that the state income and corporate franchise tax credit shall be for taxpayers who employ more than 50 La. residents. Any taxpayer who employs up to 50 La. residents and incurs for the taxable year, qualified research expenses as defined in federal law, shall be allowed a state income and corporation franchise tax credit. Further changes present law to provide that the tax credit shall be refundable.

Proposed law provides that in cases where the taxpayer employs more than 50 La. residents, the tax credit application shall include a federal income tax return and supporting documentation that shows the amount of the federal research credit for the same taxable year. Further provides that the supporting documentation for a taxpayer who employs up to 50 La. residents shall show the amount of the qualified research expenses for the same taxable year.

Present law provides for documentation which must be submitted with the application for the tax credit. Further provides that the Dept. of Economic Development (DED) shall approve or disapprove each tax credit application.

Proposed law changes present law to provide that the amount of the tax credit shall be equal to either:

- (1) 8% of the state's apportioned share of the taxpayer's expenditures for increasing research activities, if the taxpayer is an entity that employs 100 or more La. residents.
- (2) 20% of the state's apportioned share of the taxpayer's expenditures for increasing research activities, if the taxpayer is an entity that employs 50-99 La. residents.
- (3) 25% of the state's apportioned share of the federal research credit claimed for research expenditures in the state if the taxpayer claims the alternative incremental tax credit under federal law.

- (4) 40% of the state's apportioned share of the taxpayer's qualified research expenses conducted in this state if the taxpayer is an entity that employs fewer than 50 La. residents.

Present law provides that the state's apportioned share of a taxpayer's expenditures for increasing research activities shall be the excess of the taxpayer's qualified research expenses for the taxable year over the base amount, as determined under federal law, multiplied by a percentage equal to the ratio of the qualified research expenses in this state for the taxable year to the taxpayer's total qualified research expenses for the taxable year.

Present law provides that a taxpayer who receives a federal Small Business Innovation Research Grant shall be allowed a tax credit equal to 20% of the award received during the taxable year.

Proposed law retains present law but increases the amount of the tax credit from 20% to 40% and clarifies that the tax credit is refundable.

Present law provides for the authority of the DED to administer the tax credit and the recovery of the tax credit by the Dept. of Revenue.

Proposed law retains present law.

Present law provides that no credit shall be allowed for research expenditures incurred or Small Business Innovation Research Grant funds received after Dec. 31, 2009.

Proposed law extends the deadline for issuance of the tax credit from Dec. 31, 2009, to Dec. 31, 2013.

Proposed law removes the Dec. 31, 2006, termination date of the tax credit.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:6015 and §2 of Act No. 9 of the 2002 1st E.S.)